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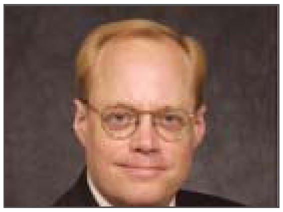

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8 Tax Tips For Year-End Now That 'Extenders' Passed

You may not be thinking about taxes before year-end, but you should. Among other things, consider making payments (state taxes, property taxes?) and charitable contributions. Consider selling stocks to grab some gain or loss. And run those numbers.

This year-end, there's an added reason to think taxes, and Congress didn't give you much time to plan. It just passed the "Tax Increase Prevention Act of 2014" which the President will surely sign. Before New Year's, here are 8 things you should know.

1. Research Credit. If you are in business and don't know what this is, you may want to learn. Tax credits are even better than deductions. This one doesn't just mean test tubes and lab coats. It isn't easy to claim, but it can be worth it, often being 20% of certain types of payments, including wages. You now have one more year, so all of 2014 is covered. That's good for proprietors and calendar-year companies. If you have a fiscal year and already filed for some parts of 2014, consider amended returns.

2. Section 179 expense. If you're in business, you can write off—expense—up to $500,000 in qualifying equipment. It's a great benefit, and the limit was set to plummet from $500,000 down to $25,000 until the extenders bill passed. Writing off equipment immediately is far better than depreciating it over time.

3. Charitable Contributions. Charities were holding their breath, hoping for a boost. It isn't permanent, but at least these enhanced rules apply for 2014. There is an enhanced deduction for food inventory. There is also a rule facilitating charitable contributions by S corporations. Finally, there is another year of the charitable IRA rollover. IRA owners 70-1/2 or older can exclude up to $100,000 a year by having funds in their IRA paid directly to certain public charities.

4. Small Business Stock Gain. Selling stock usually means capital gain. These days that can mean up to 23.8% (including the 3.8% Obamacare tax). That's better than 39.6%, but still high. Selling stock and skipping taxes *entirely* would be nicer, and the new law allows that for certain qualified small business stock acquired after Sept. 27, 2010 and before Jan. 1, 2014. What's more, none of the excluded gain is subject to the alternative minimum tax.

5. New Markets Tax Credit. This is another credit, 5% on some equity investments. Again, you get one more year, so it covers all of 2014.

6. S Corporation Built-In Gains. Many small businesses are C corporations, though S corporations are favored, taxed more like partnerships. To curtail C corporations electing S status and then selling assets or liquidating, there's a tax on S corporations that convert from C status and sell assets within 10 years. Now, some S corporations only face a 5 year gauntlet, not 10. The new law extends this rollback for 2014.

7. State Taxes? For many taxpayers, one of the most important deductions is state income taxes. If you own a home, property taxes can also be big. Figure out approximately how much you will owe your state in April 2015 for 2014. If you pay the taxes in December 2014, you can deduct them on your 2014 federal tax return. If you wait until April to pay, you can't deduct them until you file your 2015 federal return in 2016. Still, don't write a big state tax check on December 31 if it creates an AMT problem. Figure your AMT by running the numbers. Many *regular* tax breaks are disallowed for AMT purposes.

8. Get Paid This Year or Next? It usually pays to defer income and accelerate deductions when you can. But run the numbers. It might pay to grab income in 2014 rather than getting paid in 2015. Whatever you do, plan ahead, especially if you have some degree of control. Just be careful of constructive receipt rules, since sometimes 'pay me later' means taxes now.

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